LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6372
BILL NUMBER: SB 148

DATE PREPARED: Nov 16, 1999
BILL AMENDED:

SUBJECT: Child care tax credits for business.

FISCAL ANALYST: Diane Powers
PHONE NUMBER: 232-9853

FUNDS AFFECTED: **X GENERAL**
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a state tax credit to an employer who operates or contracts for a child care program for employees. The bill allows a 40% credit for capital expenditures made on buildings and equipment for a child care program.

Effective Date: January 1, 2001.

Explanation of State Expenditures: This bill will increase the administrative expenses of the Department of State Revenue to revise and create new tax forms, instructions and computer programs to accommodate this new tax credit. Taxpayers are required to submit an application for this credit on a separate form designed by the Department.

Explanation of State Revenues: This bill will provide a tax credit to employers who make capital expenditures for an employee child care center. These credits must be for a child care program, of which at least 50% must be children of employees, is operated by or contracted with one or more employers and is licensed by the Division of Family and Children. The tax credit is equal to the lesser of $20,000 or 40% of the capital program expenditures. Child care program capital expenditures are defined to include expenses for plans, acquisition, construction, reconstruction, renovation or rehabilitation of depreciable property located in Indiana. A $20,000 credit would equate to a minimum of a $50,000 capital expenditure.

The tax credit may be applied to the employer's Gross Income, Adjusted Gross Income, Supplemental Net Income Tax Liability, Financial Institutions Tax and Insurance Premiums Tax. If the tax credit exceeds the taxpayer's liability, the credit may be carried forward to the next three taxable years. If a pass through entity does not have a state tax liability, they may apply this credit in proportion to the percentage of the entity's distributive income to which the shareholder is entitled.

According to the Family and Social Services Administration, there were approximately 12 employer operated child care centers which were licenced in 1999 and more in the development process. It is not known how many of these would have capital expenditures which would qualify under this new credit. If this tax credit provides an incentive for these current employers and some indeterminable number of other employers to make capital expenditures for an employee child care program, there would be a reduction in income tax revenue by a maximum of $20,000 per taxpayer. If 25 employers per year qualified for the maximum amount of this tax credit, there would be a annual reduction of approximately $500,000 in tax revenue.

The tax credit applies to taxable years beginning January 1, 2001 and will affect income tax revenue collections beginning in FY 2002. Income tax revenue is deposited in the state General Fund and the Property Tax Relief Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration; Department of State Revenue.

Local Agencies Affected:

Information Sources: Family and Social Services Administration.